

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02
OMB-01 DOE-11 GSA-02 IO-14 AF-10 NEA-10 /175 W
-----019240 171518Z /45

R 170210Z MAR 78
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 2958
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY LA PAZ
AMEMBASSY LONDON

UNCLAS KUALA LUMPUR 2197

E. O. 11652: N/A
TAGS: EMIN, ITC, MY
SUBJ: EDITORIAL ON GSA STOCKPILE RELEASE

REF: A) KUALA LUMPUR 2139, B) KUALA LUMPUR 2156

FOLLOWING IS TEXT OF "BUSINESS TIMES" EDITORIAL ON GSA
STOCKPILE RELEASE.

"A TIMELY REMINDER ON TIN"

"THE UNITED STATES STANDS COMMITTED TO ORDERLY MARKETING OF
TIN. AS MR. C. FRED BERGSTEN, A RANKING SPOKESMAN OF THE
U.S. TREASURY, SAID ON FEB. 21, WHILE URGING A CONGRESSIONAL
COMMITTEE TO SANCTION WASHINGTON'S PROMISED CONTRIBUTION TO
THE TIN COUNCIL'S BUFFER STOCK, IT IS IN THE AMERICAN
INTEREST TO REDUCE VIOLENT PRICE SWINGS. THAT APART,
PRODUCERS HAVE SPECIFIC ASSURANCES THAT WASHINGTON WILL
COORDINATE RELEASES FROM ITS TIN STOCKPILE WITH
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THEM SO THAT THESE DO NOT DISRUPT THE MARKET
BUT HELP TO STABILISE IT. GIVEN THIS BACKGROUND,
ANY UNILATERAL MOVE SEEMS HIGHLY UNLIKELY. BUT
IT DOES NO HARM TO REMIND U.S. POLICY MAKERS OF
THE UNDERTAKINGS THEY HAVE GIVEN WHILE THE SUBJECT
OF RELEASES IS BEING DEBATED BY U.S. CONGRESSMEN.

THIS IS EXACTLY WHAT DATUK AMAR TAIB DID YESTERDAY WHEN HE BOUGHT UP THE SUBJECT WITH A VISITOR FROM THE U.S. STATE DEPARTMENT. BOLIVIA AS THE WORLD'S SECOND LARGEST PRODUCER HAS DONE THE SAME SOMEWHAT MORE FORCEFULLY; ITS PRESIDENT HAS INSTRUCTED HIS FOREIGN MINISTRY TO LODGE A PROTEST NOTE. MALAYSIA'S PREFERENCE FOR A LOW-KEY APPROACH REPRESENTS A DIFFERENCE IN STYLE BUT NOT IN SUBSTANCE. AS THE WORLD'S LARGEST PRODUCER, MALAYSIA OBVIOUSLY HAS THE BIGGEST STAKES. BUT IN KEEPING WITH ITS CUSTOMARY STANCE OF MODERATION, IT WISHES TO AVOID RAISING AN ALARM - MORE SO BECAUSE NONE SEEMS TO BE CALLED FOR AT THIS JUNCTURE.

THE IDEA OF RUNNING DOWN THE U.S. STOCKPILE WAS FIRST MOOTED UNDER THE FORD ADMINISTRATION IN OCTOBER 1976. IT TOOK MR. CARTER'S AIDES NINE MONTHS TO REVIEW THE PLAN AND ENDORSE IT. BUT THEY ARE STILL AT THE STAGE OF SETTING SPECIFIC TARGETS FOR COMMODITIES HELD IN THE STOCKPILE, ALTHOUGH IT IS FAIRLY CLEAR THAT A LARGE QUANTITY OF TIN IS TO BE TRADED FOR COPPER, NOT LEAST BECAUSE U.S. COPPER PRODUCERS ARE CLAMOURING FOR SUPPORT IN THIS FORM TO GAIN RELIEF FROM AN EXTREMELY DEPRESSED MARKET SITUATION. LAST WEEK, TWO U.S. CONGRESSMEN PUT FORWARD IN A SENATE SUBCOMMITTEE A DRAFT BILL TO SELL
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45,000 TONS OF TIN TO GENERATE FUNDS FOR BUYING COPPER. THEY CLAIMED THAT THE ADMINISTRATION SUPPORTS THE IDEA. EVEN IF THIS IS CORRECT, IT DOES NOT FOLLOW THAT WASHINGTON WILL SELL OFF THIS QUANTITY IN ONE FELL SWOOP. SINCE WORLD SUPPLIES WILL REMAIN WELL SHORT OF DEMAND FOR SOME YEARS SPECULATORS WILL BE EAGER TO SNAP UP WHATEVER THE MARKET CANNOT IMMEDIATELY ABSORB TO MAKE A KILLING LATER.

PRODUCERS WANT THE U.S. TO ACT QUICKLY TO RELIEVE THIS YEAR'S SHORTFALL OF AROUND 18,000 TONS OR ABOUT 10 PER CENT OF THE TOTAL WORLD SUPPLY. BUT THEY WANT THE U.S. TO STAGGER THE TOTAL THAT IT WISHES TO SELL OFF FROM ITS STOCKPILE OVER AN AGREED TIME SPAN SO THAT THIS SAFETY VALVE REMAINS EFFECTIVE UNTIL SUPPLY HAS A CHANCE TO CATCH UP WITH DEMAND. AS THE U.S. UNDOUBTEDLY REALISES, THIS IS IN THE BEST INTERESTS OF BOTH PRODUCERS AND CONSUMERS."

MILLER

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